

Message Text

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PAGE 01 SEOUL 00292 131041Z

17

ACTION SS-25

INFO OCT-01 ISO-00 SSO-00 NSCE-00 /026 W
----- 072033

O P 130952Z JAN 76

FM AMEMBASSY SEOUL

TO SECSTATE WASHDC IMMEDIATE 4959

INFO AMEMBASSY OTTAWA PRIORITY

AMEMBASSY PARIS PRIORITY

AMEMBASSY TOKYO PRIORITY

USMISSION VIENNA IAEA PRIORITY

S E C R E T SEOUL 0292

EXDIS

EO 11652: XGDS-3

TAGS: MNUC, PARM, KS, CA, FR

SUBJECT: ROK NUCLEAR REPROCESSING: CANADIAN PROBLEM.

REF: SEOUL 0252

1. CANADIAN AMBASSADOR STILES INFORMED ME JANUARY 13 THAT HE WAS CALLED IN JANUARY 12 BY VICE FOREIGN MINISTER LHO AND ASKED BLUNTLY WHETHER CANCELLATION OF FRENCH REPROCESSING CONTRACT WAS SINE QUA NON FOR COMPLETION OF CANDU REACTOR SALE. LHO'S INQUIRY WAS GENERATED, ACCORDING STILES, BY CONVERSATION IN OTTAWA BETWEEN ROGERS AND ROK AMBASSADOR PREVIOUS WEEK. DURING THIS CONVERSATION ROGERS MADE CLEAR CANADIAN CONCERNS ABOUT REPROCESSING CONTRACT, INCLUDING PARLIAMENTARY QUESTIONS RAISED, BUT DID NOT GO AS FAR AS MAKING CANDU SALE CONTINGENT UPON CANCELLATION OF REPROCESSING CONTRACT. STILES TOOK SAME LINE WITH LHO, BUT AGREED TO SEND LHO'S QUESTION BACK TO OTTAWA FOR RESPONSE. (STILES' MEETING WITH LHO WAS APPROXIMATELY SAME TIME AS MY MEETING WITH KIM, REFTEL.)

2. STILES ALSO MENTIONED THAT FINANCIAL ASPECTS OF CANDU PACKAGE PUTTING PRESSURE TO COMPLETE SALE, SINCE ROKG APPARENTLY PREPARED NOW TO PROVIDE \$45 MILLION DOWN PAYMENT,

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SECRET

PAGE 02 SEOUL 00292 131041Z

MOST OF WHICH DERIVED FROM COMMERCIAL LOAN.

3. I REVIEWED WITH STILES MY CONVERSATION OF JANUARY 12 WITH PRESIDENTIAL SECRETARY GENERAL KIM CHONG-YOM (REFTEL). I GAVE HIM MY IMPRESSION THAT PRESSURES APPARENTLY ARE MOUNTING UP ON ROKG TO CANCEL CONTRACT. IN THIS CONNECTION, ROKG BUSINESS MAN REPRESENTING WESTINGHOUSE, WASHIN PARK, CALLED ON ME TODAY, HE WAS THOROUGHLY FAMILIAR WITH NUCLEAR REPROCESSING PROBLEM, HAVING BEEN BRIEFED BY KOREAN GOVERNMENT AND HAVING DISCUSSED PROBLEM IN WASHINGTON WITH KEY US OFFICIALS, WHOM HE SAID MADE CLEAR STRENGTH OF USG POSITION ON THIS ISSUE. PARK COMMENTED THAT HE NOW HAS IMPRESSION MOST CHOI, WHO IN PAST HAD BEEN "ONE HUNDREDTWENTY PERCENT" IN FAVOR OF GOING AHEAD WITH FRENCH REPROCESSING CONTRACT, IS NOW "TWO-THIRDS" SURE OF THE NEED TO CANCEL CONTRACT. DECISION, IN ANY EVENT, IS NOW OUT OF HIS HANDS AND AT POLITICAL LEVEL.

4. SUBSEQUENT TO DICTATING ABOVE, STILES CALLED ON ME SECOND TIME JANUARY 13 TO FILL ME IN ON CONVERSATION WITH ADEPUTY PRIME MINISTER NAM. HE SAID THAT NAM HAD FOCUSED ON FINANCIAL ARRANGEMENTS FOR CANDU SALE. LOAN CONTRACT MAKING ROKG, RATHER THAN KECO, BORROWER, IS TO BE SIGNED JANUARY 16. ON JANUARY 26 FINANCIAL AGREEMENT COMES INTO EFFECT. NAM MADE CLEAR THAT DELAY IN FINAL SIGNING OF CANDU AGREEMENT ON THIS DATE WOULD INCUR FINANCIAL RESPONSIBILITY ON PART CANADIAN GOVERNMENT RATHER THAN ROKG. HE URGED RAPID COMPLETION OF AGREEMENT, THEREFORE.

5. AMBASSADOR STILES REASSURED NAM THAT THERE WERE NO POLITICAL MOTIVATIONS IN HANDLING OF FINANCIAL ARRANGEMENTS, BUT THAT THESE AROSE IN PARLIAMENTARY CONSIDERATION OF OVERALL AGREEMENT. HE MENTIONED TO NAM CONCERN ABOUT REPROCESSING FACILITY IN PARLIAMENT AND FEAR THAT CANADIAN GOVERNMENT WOULD BE SERIOUSLY EMBARRASSED IF USG DID NOT CARRY THROUGH ON KORI II, WHILE CANADIANS HAD APPROVED ANDU AGREEMENT. NAM REITERATED KOREAN RATIONALE FOR REPROCESSING FACILITY AND STILES THEN MENTIONED HIS UNDERSTANDING THAT FRENCH CONTRACT HAD BEEN POSTPONED. NAM, ACCORDING TO STILES, RESPONDED THAT IT WAS "MORE THAN POSTPONEMENT," IT WAS "CANCELLATION" IF US

SECRET

SECRET

PAGE 03 SEOUL 00292 131041Z

PROVIDES APPROPRIATE ASSISTANCE. NAM FURTHER SAID THAT US GROUP EXPECTED SHORTLY TO DISCUSS ASSISTANCE AND HE ANTICIPATED AGREEMENT IN VERY NEAR FUTURE WITH USG. SNEIDER

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Message Attributes

Automatic Decaptioning: Z
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: SCIENTIFIC COOPERATION, NUCLEAR REACTORS, CONTRACTS
Control Number: n/a
Copy: SINGLE
Draft Date: 13 JAN 1976
Decaption Date: 28 MAY 2004
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: saccheem
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976SEOUL00292
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: X3
Errors: N/A
Film Number: D760011-1152
From: SEOUL
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760162/aaaaccwe.tel
Line Count: 111
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION SS
Original Classification: SECRET
Original Handling Restrictions: EXDIS
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: SECRET
Previous Handling Restrictions: EXDIS
Reference: 76 SEOUL 252
Review Action: RELEASED, APPROVED
Review Authority: saccheem
Review Comment: n/a
Review Content Flags:
Review Date: 24 MAR 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <24 MAR 2004 by CollinP0>; APPROVED <03 AUG 2004 by saccheem>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: ROK NUCLEAR REPROCESSING: CANADIAN PROBLEM.
TAGS: MNUC, PARM, KS, CA, FR
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006